

Easier funding and incentives for MSMEs on cards ahead of polls

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Amid a face-off between the government and the Reserve Bank of India (RBI) over easing funding rules for micro, small and medium enterprises (MSMEs), the government is planning a major drive to provide easier loans to such enterprises.

MSMEs are a major source of job creation and are an important voter base for the ruling Bharatiya Janata Party ahead of 2019 national polls.

In an event on Friday, Prime Minister Narendra Modi will announce new measures for

improving fund availability for MSMEs, who traditionally have very little collateral to secure conventional bank lending. This will include a new online facility where MSMEs will be able to avail loans of up to ₹1 crore in less than an hour.

The government will also announce measures to provide MSMEs more market access and bring them under the social security net. They will also be provided with more simplified compliance procedures.

As part of an MSME outreach programme, central ministers will visit 100 aspirational districts and take steps at the local level to enhance SMEs' access to credit and marketing facili-

MSME outreach initiative



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Move likely to end strained ties between RBI and centre

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ties, said a government official, who asked not to be named.

The effort comes amid a less than enthusiastic response from RBI to some of the ways suggested by the government to improve liquidity in the sys-

tem, including by easing the lending restrictions on 11 state-run banks.

Improving the financing options for MSMEs is a political imperative to the government considering their role in job

creation, especially in manufacturing and in rural areas.

According to information available with the MSME ministry, there are more than 63 million such enterprises engaged in manufacturing, services and trade, more than half of which are in rural areas. These entities account for about 110 million jobs and contribute about 29% of the country's economic output. The data is based on the 73rd round of the National Sample Survey conducted in 2015-16.

To reduce the compliance

burden of MSMEs, the government in February redefined MSMEs based on their annual revenue, replacing the earlier definition that relied on self-

declared investment on plant and machinery. The idea was to improve ease of doing business, avoid unnecessary inspections and at the same time enable authorities

to verify claims of businesses using the sales data they have from the GST Network, the company that processes goods and services tax (GST) returns.

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